

Bermaz Auto

Upbeat on FY23 Vehicle Sales

By Wan Mustaqim Bin Wan Ab Aziz I wanmustaqim@kenanga.com.my

BAUTO guided for upbeat sales in FY23 for Mazda, Peugeot and Kia. Its current total booking backlogs of 10k units is unchanged from three months ago - indicating that deliveries have been replenished with new bookings. Meanwhile, we expect BAUTO's 2QFY23 net profit to come in at RM55m-RM65m, up 10% to 30% sequentially. We raise our FY23-24F net profit forecasts by 19-14%, lift our TP by 15% to RM2.65 (from RM2.30) and reiterate our **OUTPERFORM** call.

Highlights. We came away from a recent engagement with BAUTO feeling even more upbeat on its prospects. The key takeaways are as follows:

1. BAUTO guided for upbeat sales in FY23 for Mazda at 13k units (+8% YoY), Peugeot at 2k units (+107% YoY) and Kia at 2k (+456% YoY), against our assumptions of 12.1k units (+1% YoY), 1k units (+4% YoY) and 1k units (+178% YoY), respectively. As such, we raise our assumptions to 13k units for Mazda (+7%), and 2k units for both Peugeot (+100% YoY) and Kia (+100% YoY).

For FY24, assuming the sales momentum is to sustain, we raise our assumptions to 13.7k units for Mazda (+5% YoY), and 2.1k units for both Peugeot (+5% YoY) and Kia (+5% YoY), from 13k units (+7% YoY), 1.5k units (+50% YoY) and 1.5k units (+50% YoY) previously.

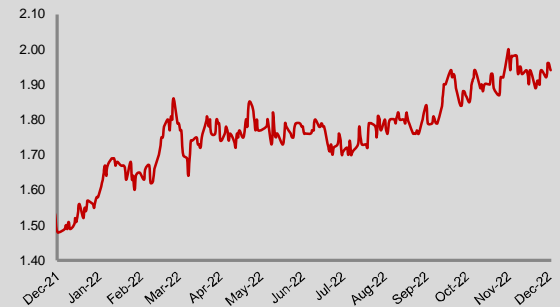
2. Its current total booking backlogs of 10k units (85% from Mazda) is unchanged from three months ago, indicating that deliveries have been replenished with new bookings.
3. With the strong response to CKD models such as Kia *Carnival*, BAUTO plans to put onto the market a second Kia CKD model, i.e. *Sorento*, scheduled for an official launch in Jan 2023 or Feb 2023, and a third thereafter, either *Sportage* or *Seltos*. These will be earnings accretive for BAUTO as CKD models command higher margins than CBU models of up to 5ppts. Over the longer term, BAUTO targets its annual sales of Kia vehicles to hit 10k units within the next 3-4 years, a five-fold increase from its FY23F target of 2k units.
4. BAUTO is committed to a gradual transition towards electric vehicles. It is working hand in hand with other carmakers to gradually strengthen the ecosystem for hybrid and electric vehicles locally to make their prices more affordable. For a start, it is bringing various CBU EV models to the local market including Mazda MX-30 EV, Peugeot e-2008 EV, Kia EV6, and Kia PBV1 and beefing up after-sales support in term of maintenance services and spare parts support system.

A preview of 2QFY23 results. Meanwhile, we expect BAUTO's 2QFY23 results, due out by the later part of this week, to come in at RM55m-RM65m at the core net profit level (up 10% to 30% sequentially), taking our cue from Mazda's sales in 2QFY23 of 3,394 units (+16% QoQ) that brought 1HFY23 sales to 6,331 units (+49% YoY) as reported by Malaysian Automotive Association and assuming its net profit margin could sustain at between 7% to 8%. We believe a 50% sales & service tax rebate given to buyers of all Mazda models (out of BAUTO's own pocket) between July 2022 and December 2022 will be cushioned by the above-average margins BAUTO earns from its recently launched new models.

OUTPERFORM ↔

Price : RM1.94
Target Price : RM2.65 ↑

Share Price Performance



KLCI	1,481.80
YTD KLCI chg	-5.5%
YTD stock price chg	24.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BAUTO MK Equity
Market Cap (RM m)	2,255.7
Shares outstanding	1,162.7
52-week range (H)	2.01
52-week range (L)	1.46
3-mth avg daily vol:	2,062,981
Free Float	46%
Beta	0.5

Major Shareholders

Employees Provident Fund	16.7%
Dynamic Milestone Sdn Bhd	14.6%
Amanah Saham Nasional	7.2%

Summary Earnings Table

FY Apr (RM m)	2022A	2023F	2024F
Turnover	2,325.1	2,945.5	3,128.2
EBIT	204.5	239.2	260.8
PBT	218.6	259.2	283.7
Net Profit	155.7	194.2	212.5
Consensus (NP)	-	183.2	201.3
Earnings Revision	-	+19%	+14%
Core EPS (sen)	13.4	16.7	18.3
Core EPS (%)	16.3	24.7	9.4
NDPS (sen)	8.8	11.7	12.8
BVPS (RM)	0.55	0.60	0.65
PER (x)	14.5	11.6	10.6
PBV (x)	3.5	3.2	3.0
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	4.5	6.0	6.6



05 December 2022

Forecasts. We increase our FY23F and FY24F core net profit by 19% and 14%, respectively, and increased our TP by 15% to RM2.65 (from RM2.30) based on ascribed CY23F PER of 15x, which is at a premium to the auto sector's average forward PER of 11x given its niche in the premium mid-market segment and ability to consistently pay out good dividends.

We like BAUTO for: (i) its premium mid-market Mazda brand that offers the best of both worlds, i.e. products appeal to the middle-income group and yet command more superior margins than its peers in the mid-market segment, and (ii) its attractive dividend yield of about 6%. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4). Maintain **OUTPERFORM**.

Risks to our call include: (i) consumers cutting back on discretionary spending (particularly big-ticket items like new cars) amidst high inflation, (ii) supply chain disruptions, (iii) escalating input costs, and (iv) weakening of MYR against JPY.

Income Statement						Financial Data & Ratios					
FY Apr (RM m)	2020A	2021A	2022A	2023F	2024F	FY Apr	2020A	2021A	2022A	2023F	2024F
Revenue	1,755.4	2,287.9	2,325.1	2,945.5	3,128.2	Growth (%)					
EBIT	132.0	155.8	204.5	239.2	260.8	Turnover	-30.3	30.3	1.6	26.7	6.2
Other Income	3.8	5.4	6.6	11.8	12.5	EBITDA	-58.4	227.4	-19.9	86.2	7.1
Interest Inc/(Exp)	-2.9	-7.4	-3.9	0.1	1.0	Op. Profit	-53.2	18.1	31.2	17.0	9.0
Associate	26.5	20.5	18.1	19.9	21.8	PBT	-61.2	28.0	29.4	18.6	9.4
PBT	132.0	168.9	218.6	259.2	283.7	PATAMI	-61.8	32.7	16.3	24.7	9.4
Taxation	-27.9	-40.0	-59.7	-62.2	-68.1	Profitability (%)					
Minority Interest	-3.2	4.9	-3.1	-2.8	-3.1	Op. Margin	7.5	6.8	8.8	8.1	8.3
PATAMI	100.8	133.8	155.7	194.2	212.5	PBT Margin	7.5	7.4	9.4	8.8	9.1
Balance Sheet						CNP Margin	5.7	5.8	6.7	6.6	6.8
FY Apr (RM m)	2020A	2021A	2022A	2023F	2024F	ROA	9.0	10.0	10.6	11.9	11.9
Fixed Assets	109.2	100.9	121.3	105.1	88.1	ROE	19.3	25.7	25.8	29.1	29.2
Int. Assets	0.5	0.5	0.5	0.5	0.5	DuPont Analysis					
Other F. Assets	275.0	308.2	358.7	358.7	358.7	Net Margin (%)	5.7	5.8	6.7	6.6	6.8
Inventories	684.6	277.8	230.4	343.3	376.6	Assets T/O(x)	1.4	1.6	1.5	1.7	1.7
Receivables	107.5	148.5	142.5	170.0	178.0	Lev. Factor (x)	2.7	2.5	2.4	2.5	2.5
Other CA	10.4	2.5	0.4	0.4	0.4	ROE (%)	19.3	25.7	25.8	29.1	29.2
Cash	100.2	563.4	693.9	747.2	859.2	Leverage					
Total Assets	1,287.4	1,401.8	1,547.7	1,725.1	1,861.5	Debt/Asset (x)	-	0.1	0.1	0.1	0.1
Payables	349.5	247.6	253.0	325.4	346.7	Debt/Equity (x)	-	0.4	0.3	0.3	0.3
ST Borrowings	0.0	105.7	100.0	100.0	100.0	Net (Cash)/Debt	(100.2)	(357.9)	(494.1)	(547.3)	(659.3)
Ot. ST Liabilities	231.9	97.9	108.6	108.6	108.6	Gearing (x)	(0.2)	(0.6)	(0.8)	(0.8)	(0.9)
LT Borrowings	0.0	99.8	99.8	99.8	99.8	Valuations					
Ot. LT Liabilities	185.8	238.8	297.2	297.2	297.2	Core EPS(sen)	8.7	11.5	13.4	16.7	18.3
Net Assets	520.2	612.1	689.1	794.0	910.2	NDPS (sen)	7.5	6.5	8.8	11.7	12.8
S.Equity	472.7	569.4	637.1	695.3	759.1	BV/sh (RM)	0.4	0.5	0.5	0.6	0.7
Minority Interests	47.6	42.7	52.0	98.7	151.1	PER (x)	22.3	16.8	14.5	11.6	10.6
Total Equity	520.2	612.1	689.1	794.0	910.2	Div. Yield (%)	5.8	3.8	3.4	4.5	6.0
Cashflow Statement						PBV (x)	4.8	4.0	3.5	3.2	3.0
FY Apr (RM m)	2020A	2021A	2022A	2023F	2024F	EV/EBITDA (x)	20.5	17.8	14.7	13.3	13.4
Operating CF	-147.2	455.0	291.1	172.3	241.0						
Investing CF	-12.8	-0.8	-27.1	16.8	18.7						
Financing CF	-64.9	10.9	-131.9	-135.8	-147.8						
Change In Cash	-225.0	465.1	132.0	53.2	112.0						
Free CF	-151.8	450.4	286.5	167.7	236.4						

Source: Kenanga Research

05 December 2022

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
BERMAZ AUTO BHD	OP	1.94	2.65	36.60%	2,252.3	Y	04/2023	16.7	18.3	24.7%	9.4%	11.6	10.6	2.8	26.2%	11.7	6.0%
DRB-HICOM BHD	OP	1.58	1.70	7.59%	3,054.1	Y	12/2022	15.7	20.6	44.4%	30.9%	10.0	7.7	0.3	3.3%	2.0	1.3%
MBM RESOURCES BHD	OP	3.27	4.45	36.09%	1,278.2	Y	12/2022	58.7	63.8	36.7%	8.6%	5.6	5.1	0.5	10.2%	22.0	6.7%
SIME DARBY BHD	OP	2.17	2.60	19.82%	14,758.2	Y	06/2023	17.3	19.0	-1.8%	10.1%	12.6	11.4	0.9	7.3%	12.0	5.5%
TAN CHONG MOTOR HOLDINGS BHD	UP	1.14	0.850	-25.44%	766.1	Y	12/2022	(3.6)	(1.0)	-233.0%	-128.1%	N.A.	N.A.	0.3	-0.9%	3.0	2.6%
UMW HOLDINGS BHD	OP	3.35	4.80	43.28%	3,913.8	Y	12/2022	36.4	37.1	90.6%	1.9%	9.2	9.0	0.5	5.8%	6.0	1.8%
Simple Average								23.5	26.3	-6.4%	-11.2%	9.8	8.8	0.9	8.6%		4.0%

Source: Kenanga Research

The rest of this page is intentionally left blank

Stock ESG Ratings:

	Criterion	Rating			
GENERAL	Earnings Sustainability & Quality	★	★	★	★
	Corporate Social Responsibility	★	★	★	
	Management/Workforce Diversity	★	★	★	
	Accessibility & Transparency	★	★	★	
	Corruption-Free Pledge	★	★	★	
	Carbon-Neutral Initiatives	★	★	★	
SPECIFIC	Electric Vehicles Initiatives	★	★	★	
	Energy Efficient Vehicles Initiatives	★	★	★	★
	Renewable Energy	★	★	★	
	Occupational Health and Safety	★	★	★	★
	Waste Management /Recycling	★	★	★	
OVERALL		★	★	★	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
 Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

